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UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE

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|-------------------------|---|------------------|
| SECURITIES AND EXCHANGE |) | Civil Action No. |
| COMMISSION, |) | 1:21-cv-00260-PB |
| |) | |
| Plaintiff, |) | |
| |) | VOLUME 1 |
| vs. |) | (Pages 1 to 228) |
| |) | |
| LBRY, INC., |) | |
| |) | |
| Defendant. |) | |
| |) | |

CONFIDENTIAL DEPOSITION OF
DAVID BALTER
HELD VIA WEBEX
THURSDAY, JANUARY 13, 2022
9:36 a.m.

REPORTED BY:
Jane M. Werner, RMR, CRR
Massachusetts CSR No. 149008
JOB No. 220113DWA

1 if we could.

2 Could you summarize your educational
3 background for us, starting after high school.

4 A I'm going to adjust that answer, if I could,
5 if I could go back.

6 Q Sure.

7 A There was a previous organization, Flipside
8 Crypto LLC, which is no longer an organization. It's
9 now Flipside Crypto, Inc. So for probably two and a
10 half years, but, yeah.

11 Q So let me just confirm on that, and then I'll
12 go back to your education.

13 Did Flipside Crypto LLC essentially become
14 Flipside Crypto, Inc.?

15 A Yes. It was dissolved into Flipside Crypto,
16 Inc., yes.

17 Q And what was the reason or reasons for the
18 change in corporate structure from LLC to corporation?

19 A We took investment capital from venture
20 capitalists, etc., at a certain stage. And the nature
21 of the business, it evolved from a series of clubs and
22 funds, investment clubs and funds, into an enterprise
23 software business.

24 Q Then let's go through your educational
25 background after high school.

1 done by Flipside Crypto; is that correct?

2 A Correct.

3 Q Does that mean that Flipside Crypto was
4 developing its own metrics to analyze -- to do analysis?

5 A Correct.

6 Q And then you said in the original iteration,
7 there were investment clubs; is that correct?

8 A Correct.

9 Q Can you generally explain to us what an
10 investment club is.

11 A An investment club was a legal entity where a
12 number of individuals interested in learning about
13 accessing the crypto asset ecosystem could together and
14 jointly buy and hold and sell crypto assets.

15 Q In the current iteration of the company, who
16 are the customers? And by "who," I don't mean
17 specifically the names of the customers, but
18 characterize the customer base, please.

19 A Blockchains and protocols that operate on top
20 of blockchains.

21 Q So my understanding of a blockchain is that it
22 is some sort of set of computer code and ledger
23 transactions. So when you say "blockchains," you're
24 obviously not meaning that. When you say the
25 blockchains are your customers, what do you mean?

1 MR. DIXON: Objection as to form.

2 A I don't believe so.

3 Q How did you set the price that you would pay
4 LBRY for each coin?

5 A I didn't set the price.

6 Q How did the price get set?

7 A Josh -- it looks like josh@lbry.io noted the
8 price and noted a discount and set the price to that.

9 Q What discount did you get?

10 A I believe 5 percent.

11 Q And it was 5 percent off of -- hang on a
12 second. Okay.

13 In the email on the -- on the one that says,
14 "Saturday, November 18, 2017," it says, "We can again
15 peg the USD rate on the date of the txn."

16 Do you understand what that means?

17 A I do.

18 Q And what was that -- how did the price get
19 pegged in that way?

20 A I believe they were looking at an exchange, as
21 they did last time, to determine the fair market rate.

22 Q So the price that the clubs paid was based on
23 the exchange price, plus a discount; is that correct?

24 A That is my understanding.

25 MR. JONES: All right. If you could go to